



*Albertson's, Inc., 2000 Company Profile*



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Albertson's Company Profile is published to present an easy-to-read description of the Company, including certain core values, initiatives and performance highlights.

## The Company

Albertson's, Inc., is one of the largest retail food and drug chains in the United States. The Company operates 2,512 stores in 36 states across the country. Retail operations are supported by 19 Company distribution centers. Albertson's is headquartered in Boise, Idaho, and employs 235,000 people.

## Business Combinations

On June 23, 1999, Albertson's, Inc., and American Stores Company (ASC) consummated a merger with the issuance of 177 million shares of Albertson's common stock. The merger constituted a tax-free reorganization and has been accounted for as a pooling of interests for accounting and financial reporting purposes. The pooling of interests method of accounting is intended to present, as a single interest, two or more common stockholders' interests that were previously independent; accordingly, Albertson's Company Profile presents historical financial information as though the companies had always been combined.

## Investor Relations

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Vice President, Investor Relations  
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## Stockholders' Information

- Stock symbol: ABS
- Listed on the New York and Pacific stock exchanges
- Options traded on the American and Philadelphia stock exchanges
- Shares of common stock outstanding on February 1, 2001: 405,317,000
- Fiscal year end: Thursday closest to January 31
- Annual Meeting of Stockholders:  
10:00 a.m. Thursday, June 14, 2001  
The Idaho Center  
16200 Can-Ada Road  
Nampa, Idaho
- Fiscal 2001 (52-week year) quarter end dates:  
May 3, 2001  
August 2, 2001  
November 1, 2001  
January 31, 2002



> ALBERTSON'S FOOD AND DRUG STORES

Divisions

- **Western Washington**  
 Division Office: Bothell, WA  

- **Inland Empire**  
 Division Office: Spokane, WA  

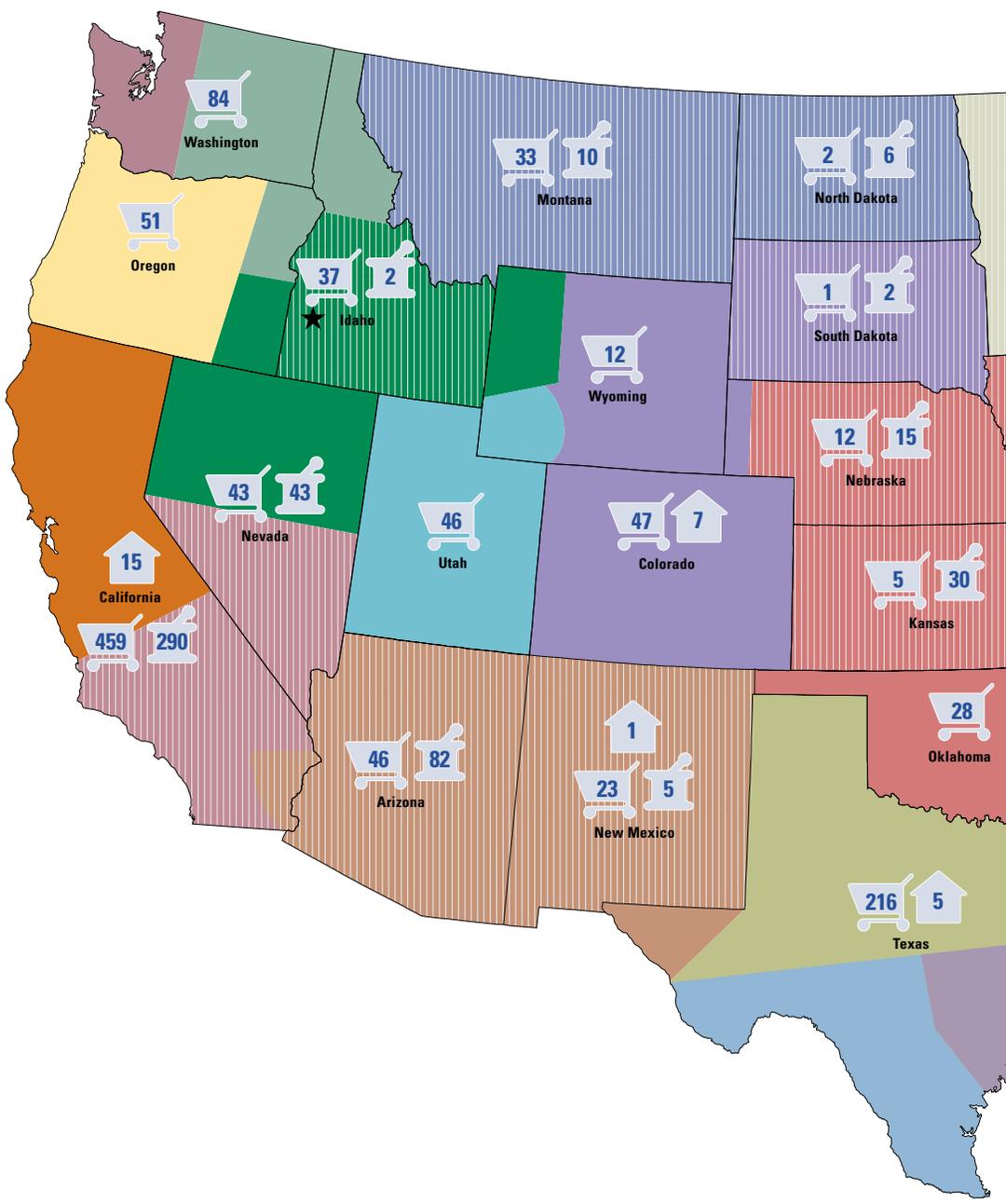
- **Big Sky**  
 Division Office: Great Falls, MT  

- **Oregon**  
 Division Office: Portland, OR  

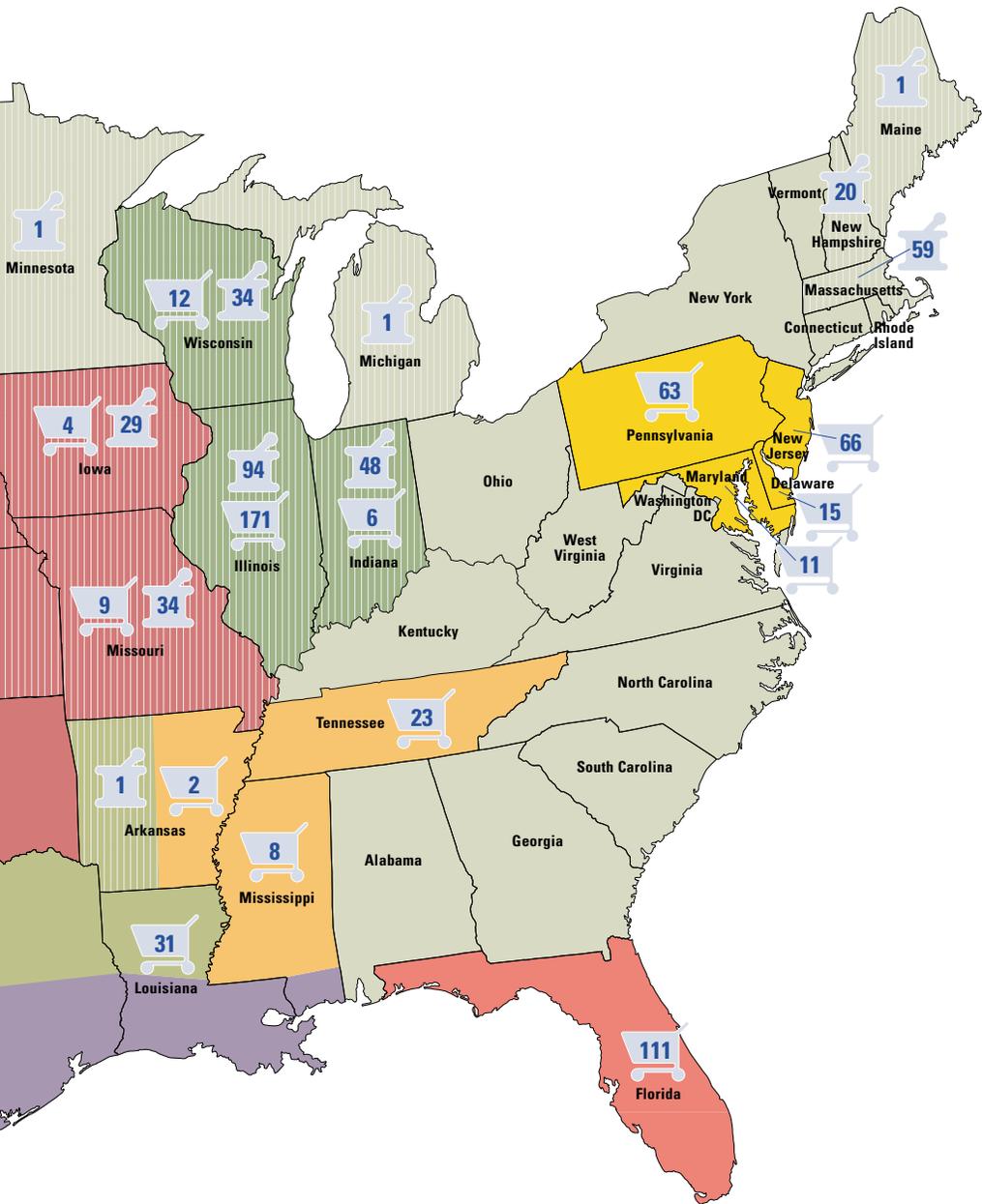
- **Idaho**  
 Division Office: Boise, ID  

- **Rocky Mountain**  
 Division Office: Aurora, CO  
 
- **Northern California**  
 Division Office: San Leandro, CA  
 
- **Utah**  
 Division Office: Salt Lake City, UT  

- **Southern California**  
 Division Office: Fullerton, CA  
  
- **Southwest**  
 Division Office: Tolleson, AZ  

★ Headquarters  
Boise, Idaho



- **Great Plains**  
 Division Office: Tulsa, OK  

- **Midwest**  
 Division Office: Melrose Park, IL  
*Jewel-Osco* *Jewel* *OscoDrug*
- **Eastern**  
 Division Office: Malvern, PA  
*ACME*
- **Dallas/Fort Worth**  
 Division Office: Fort Worth, TX  
 
- **Mid South**  
 Division Office: Memphis, TN  
 
- **San Antonio**  
 Division Office: San Antonio, TX  

- **Houston**  
 Division Office: Katy, TX  

- **Florida**  
 Division Office: Maitland, FL  

- ||| **Drugstore**  
 Division Office: Scottsdale, AZ  
*OscoDrug* *Savon drugs*

 **1,677** Combination/  
Conventional Stores

 **807** Stand-Alone  
Drugstores

 **28** Warehouse  
Stores

## > HISTORY

The merger of Albertson's and American Stores Company brought together two of the best food and drug companies in the industry. Over the years, these two dynamic retailers have been both great rivals and powerful partners—sharing a rich history and blazing new trails in serving customers with the best in products and services.

Albertson's founder J.A. "Joe" Albertson and American Stores Company founder Samuel M. Skaggs were pioneers in the industry. In 1939, Joe Albertson left his position as district manager for Safeway and opened his first food store, Albertson's Food Center, in Boise, Idaho. The store differed from others of its time in that it covered 10,000 square feet—eight times the competitors' average—and had plenty of free parking, a butcher shop, a bakery and an ice cream shop. With these innovations, Joe Albertson was a key developer of the "supermarket" concept in food retailing. Albertson's refined the concept further in 1951 by opening its first combination food and drug store, a 60,000-square-foot superstore.

In 1915, Samuel M. Skaggs opened his first Skaggs Cash Store. In 1939, the Skaggs family purchased four drugstores in Utah, Idaho and Montana, and in 1965, they incorporated under the name Skaggs Drug Centers, Inc. The company grew initially through the acquisition of additional drugstores in the West and South.

In 1969, Albertson's and Salt Lake City-based drugstore chain Skaggs formed a partnership and jointly operated large Skaggs—Albertson's food and drug combination stores in Arkansas, Louisiana, Oklahoma, Texas and Florida. Albertson's and Skaggs dissolved their partnership in 1977, each taking half of the stores. Twenty-two years later, the two companies again joined forces to become one of the largest food and drug chains in the industry.

In 1979, Skaggs Drug Centers, Inc., acquired American Stores Company and adopted the American Stores Company name. This pairing combined the grocery retailing expertise of American Stores Company's Alpha Beta and Acme subsidiaries with the drug, general merchandise and combination store expertise of the Skaggs entities.

American Stores acquired Jewel Companies in 1984, adding Jewel Food Stores, Jewel-Osco combination stores and the Osco and Sav-on drugstores to the company's family of retail operations.

In 1988, American Stores acquired Lucky Stores, Inc., California's leading grocery retailer and the only chain to have significant operations in both northern and southern California.

Over the years, Albertson's also continued to grow, through both internal growth and acquisitions. In 1992, the Company purchased 74 Jewel-Osco combination food and drug stores in Arkansas, Florida, Oklahoma and Texas from American Stores. In 1998, Albertson's acquired Seessel's, Smitty's, Buttrey's and some Bruno's stores. As the Company made plans to open its 1,000th store, it also announced plans to merge with American Stores Company.

The Albertson's and American Stores merger was completed in June 1999. As of February 1, 2001, Albertson's served over 4.3 million customers a day in 2,512 stores in 36 states across America.

For additional historical facts, please see the timeline on the inside back cover.

## Mission

Be *The Best Store In Your Neighborhood* by creating value through superior service, quality products and one-stop shopping.

## The New Vision...The New Albertson's

**CUSTOMERS** Attract and retain a diverse, broad-based group of individuals and organizations—not limited to traditional food and drugstore shoppers—who shop in physical and/or virtual locations worldwide.

**PRODUCTS AND SERVICES** Provide products, services and information—by partnering with our vendors and using a variety of formats and delivery channels—to conveniently add value, variety and solutions to satisfy the diverse needs of our customers.

**ASSOCIATES** Attract, develop and retain diverse, well-informed, motivated, inspired, loyal associates and provide excellent compensation, benefits, incentives and advancement opportunities—while supporting balance in their lives.

**CULTURE** Provide a workplace that embodies operational excellence and customer intimacy—promoting communication, trust, teamwork, common sense, lifetime learning, integrity, respect for all people and community responsibility—and places a high value on associates, encouraging recognition at all levels.

**FINANCIAL** Maintain our position as the performance leader—with a strong balance sheet and consistent growth in sales and profits to maximize long-term growth for our stockholders.

**ORGANIZATIONAL STRUCTURE** Be a well-informed, adaptive and effective organization—with centralized strategic direction and administrative functions and decentralized operational entities.

## Strategic Initiatives

**INCREASE SALES** Grow sales by making decisions at the neighborhood level, being intensely customer focused and leveraging the strength of pharmacy and general merchandise.

**REDUCE EXPENSES** Reduce operating expenses by continuing to renew our “Culture of Thrift.” Utilize a team to identify better procedures—from the purchase of real estate to inventory and operations. Leverage fixed expenses through increased sales growth.

**INCREASE RETURN ON CAPITAL** Increase return on capital by turning our assets faster and allocating capital more efficiently and strategically.

**ESTABLISH A NEW HUMAN RESOURCES STRATEGY** Reduce turnover and become the employer of choice by realigning our incentive systems, recruiting initiatives and management development programs to match our corporate strategy.

**ESTABLISH A NEW STRATEGIC PLANNING PROCESS** Implement a disciplined and structured strategic planning process throughout the Company to ensure that all goals and objectives are aligned with the corporate strategy.

## Investing In Our Associates

Albertson's commitment to associates is clearly articulated in one of the Company's six vision statements: "Attract, develop and retain diverse, well-informed, motivated, inspired, loyal associates and provide excellent compensation, benefits, incentives and advancement opportunities—while supporting balance in their lives." Keeping a strong focus on recruiting, developing, retaining and rewarding our associates has never been more important. One of the Company's five major strategic initiatives is to develop a new human resources strategy.

## Attracting and Retaining Diverse Associates

Albertson's values the unique qualities that each associate brings to the workplace. It is our goal to attract and retain the best associates in our industry and to provide a courteous and respectful work environment where new ideas and a diverse workforce come together as one team. By accomplishing these goals, Albertson's will continue to be an employer of choice in the retail food and drug industry.

All Albertson's associates are responsible for creating a working environment where diversity is honored, celebrated and encouraged. We have many initiatives in place to ensure that we remain focused on making our team the best it can be.

**DIVERSITY ACTION COUNCIL** The Albertson's Diversity Action Council (DAC) coordinates and manages diversity outreach initiatives. DAC members are senior leaders from throughout the Company.

The Company promotes, recommends and supports specific diversity projects to reinforce our mission to be *The Best Store in Your Neighborhood*. Supporting that mission includes:

- **EMPLOYING A DIVERSE WORKFORCE** The Company participates in minority job fairs and college campus recruiting across the country to seek out the best candidates. All 19 operating divisions work with schools, government agencies and other organizations to hire and train diverse associates. Out of our workforce of 235,000 associates, approximately 53% are female and 31% are minority, as classified by the Equal Employment Opportunity Commission.
- **ATTRACTING DIVERSE CANDIDATES** The goal of our Accelerated Management Development Program is to attract new or recent college graduates into the retail food and drug industry. The program seeks potential leaders, with an emphasis on female and minority students. This fast-paced, 16-month training program is designed to prepare trainees to become part of Albertson's retail management team.
- **TAILORING STORES TO DIVERSE CUSTOMERS** The Company identifies specific proactive diversity projects to ensure that customer needs and preferences are met. For example, we plan community relations activities for selected new store sites. We conduct customer surveys, particularly in urban markets, to develop marketing data and identify store product and service preferences. Albertson's utilizes female and minority entrepreneurs and companies in our construction and procurement activities.

**DEVELOPING ASSOCIATES** Our rapid growth has fueled a tremendous need for more managers, providing Albertson's with additional opportunities to develop and advance associates from within the Company. We are building a solid foundation for retail, distribution and office training from entry level through management. The Company is committed to developing the human resource strategies, structures and programs necessary to continue our tradition of success, growth and profitability in the future.

We are ensuring that we have experienced, qualified associates to fill openings at all levels by designing, implementing and monitoring development programs that prepare associates for jobs prior to their promotion. Comprehensive programs, including Store Director Training, Division Management Training and Management Leadership Training, are tailored for each operating division to fit local business needs.

- **COURTESY, DIGNITY AND RESPECT TRAINING** This important program gives our managers, key persons and management trainees the tools to encourage and promote courtesy, dignity and respect in the workplace. Through videos and interactive training, they learn different solutions to workplace concerns to maintain a positive and harassment-free environment.
- **COMPUTER GUIDED TRAINING** The Company's existing Computer Guided Training (CGT) program, available to associates in 14 of the Company's 19 divisions, will be implemented throughout our Northern California, Southern California and Eastern divisions during 2001. We will begin piloting the program in the Midwest Division by the end of 2001. Implementing CGT will allow new associates to receive thorough and consistent orientation, including customer service skills and specific tasks training.

**KEEPING ASSOCIATES WELL INFORMED** Improving "Communication, Trust and Teamwork" is the centerpiece of associate communication programs. The Executive Management Team believes that better communication will lead to improved trust—and when combined, communication and trust will foster spirited and unbeatable teamwork.

- **ALBERTSON'S USA** Published every six weeks, our corporate newsletter focuses on our Company's current business performance and initiatives, features messages from executive management and highlights our associates' successes and hard work.
- **DIVISION PUBLICATIONS** The division publications communicate important division events, success stories, service awards and associate highlights.
- **MANAGING** This quarterly newsletter is filled with advice for managers on how to do their best and inspire our associates. It also shares ideas sent in by associates on how they handle various management challenges.
- **DIVISIONAL VIDEOS AND BROADCASTS** Videos and satellite broadcasts are used by the operating divisions to keep department managers and store directors well informed about local promotions, marketing ideas and success stories.
- **E-NEWS** An electronic newsletter published daily for all associates via e-mail and the intranet, *E-News* relays the Company's stock report and features Company and competitive news briefs.
- **ASSOCIATE ANNUAL REPORT** A special edition of *Albertson's USA*, the *Associate Annual Report* was developed to bring current Company and financial information to all associates while reinforcing our Company vision statements.
- **DIVISION COMMUNICATION MEETINGS** Divisions conduct associate communication meetings in the spring to share the Company's annual business plan and the divisions' business plans.

## MOTIVATING AND INSPIRING ASSOCIATES

- **MANAGING FOR INSPIRED PERFORMANCE** The “Managing for Inspired Performance” three-day workshop is an important developmental experience for managers and officers throughout the Company.
- **SERVICE FIRST** Associates recognized in the Service First program share a common commitment—providing service that exceeds expectations. Each quarter, store directors, and management at division offices, distribution centers and support offices select a Service First recipient based on consistently outstanding customer service performance and eagerness to help fellow team members. During 2000, over 4,500 associates received this award.

In 2001, we will emphasize Service First with new goals and new rewards. The newly enhanced program—Service First, Second to None—is built around five basic characteristics of service. Each associate will be trained on the basics of the program and the established incentives. Management of all levels will play key roles in motivating our associates and maintaining 100% participation in the program.

- **PROVIDING COMPETITIVE COMPENSATION AND BENEFITS** On an ongoing basis through collective bargaining and marketplace evaluations, Albertson’s reviews wages for each position within the Company and offers competitive wages and benefits to all associates.
- **ASRE** Albertson’s Savings and Retirement Estates (ASRE) offers Albertson’s associates who are generally covered by Company-sponsored plans one of the premier retirement benefit packages in the country. The Company makes a profit-sharing contribution for each eligible associate. Additionally, eligible participating associates can make a 401(k) contribution to the plan and receive a contribution match from the Company based on the amount of eligible compensation contributed by the associate.

## ENSURING ADVANCEMENT OPPORTUNITIES

- **JOB POSTING PROGRAM** Our companywide job posting program standardizes the way we notify associates of available positions in our stores and distribution centers. It gives associates an equal opportunity to apply for available positions to advance their career and work experience.
- **CAREER INTEREST SURVEY** Store associates may voluntarily complete a career interest survey. These surveys enable Albertson’s to identify associates interested in advancing their career or expanding their work experience in other departments. When career goals are discussed with associates, information regarding training programs and requirements for management positions is provided.
- **CAREER ADVANCEMENT PROGRAM** For qualified associates who express an interest in supervisory and managerial positions within our stores, our Career Advancement Program (CAP) is the first step. The CAP series teaches operational and supervisory skills necessary to run a department, including in-depth food safety and sanitation training.
- **INTERNAL ADVANCEMENT OPPORTUNITIES** Promotions from within the Company give associates the opportunity to advance their careers. Cross-functional and cross-divisional experiences are encouraged to ensure that the management team has a broad base of skills and abilities.

**SUPPORTING WORK/LIFE BALANCE** We recognize that in today’s competitive marketplace, the balance between an associate’s work and personal life is of great importance. The Company strives to work with individual associates to provide a schedule that will meet their personal and developmental needs and, at the same time, support the needs of the business.

## Albertson's Is Focused on Community Involvement

Albertson's believes in being a good neighbor by contributing to the quality of life in the diverse communities we serve.

Listening to our neighbors allows us to respond to their various needs. Last year, Albertson's donated nearly \$65 million in cash and in-kind donations to help meet community needs. Support included more than 22 million pounds of food and non-food items; more than \$7 million from cooperative programs with our vendors, customers and associates; and more than \$12 million through the Albertson's Community Partners Card program. In addition, our associates individually chose to donate money, time and talent to their favorite charities.

Albertson's charitable support is focused on hunger relief, education and development of our youth, and health and nutrition.

### Hunger Relief

Hunger is an unhealthy reality our nation faces, and Albertson's has pledged to help meet increased food needs. In 2000, we demonstrated our commitment by donating food items and household goods and raising public awareness. Some examples include:

**DISTRIBUTION CENTER EFFORTS** In 2000, our distribution centers, in conjunction with our suppliers, collected and donated more than 22 million pounds of food and household goods to food banks affiliated with Second Harvest, churches and other local hunger-relief operations across the country. All donations helped provide food and other necessities to families in our communities.

**DAY-OLD BAKERY DONATIONS** Albertson's donates day-old bakery products every day to local food banks and soup kitchens under our Day-Old Bakery Donation program.

**SHARING IT DAY** In November, Jewel-Osco participated in Chicago's Sharing It Day at the Merchandise Mart: the largest one-day corporate food drive benefiting the Chicagoland Food Depository. This year, Jewel-Osco donated two truckloads of food and transported all food donations made at the event to the Food Depository.

**HOLIDAY MEALS** Acme and Kraft joined forces to help feed the hungry during the 2000 holiday season. The partnership raised more than \$100,000, providing 2,000 meals to families in Philadelphia. The meals were packaged in boxes and then distributed by Acme and Kraft representatives to four area food banks.

**HAMS FOR THE HOLIDAYS** This national, annual campaign resulted in Albertson's and Hormel donating more than 11,500 Hormel CURE 81 hams, valued at more than \$140,000, to numerous non-profit organizations around the country.

**FOOD FOR ALL** Albertson's continued its support of hunger relief through the FOOD FOR ALL program. Customers and stores across the country pitched in and raised nearly \$790,000, helping to feed the less fortunate throughout the year.

## Education and Development of Our Youth

Albertson's is committed to providing young people with opportunities to excel. We believe this is one of the greatest ways we can positively affect the quality of life in our communities. In 2000, we demonstrated our continuing dedication to educational excellence and opportunity through a variety of programs. Following are a few examples:

**COMMUNITY PARTNERS CARD** In 2000, Albertson's Community Partners Card program—a simple and innovative fund-raising program for community organizations—helped nearly 20,000 organizations directly benefiting youth.

The program, started in 1997, is a partnership between Albertson's and youth-oriented non-profit organizations in the communities we serve. Albertson's donates a percentage of purchases made by the supporters of non-profit organizations (schools serving preschoolers through 12th graders, churches and organizations directly benefiting youth). As supporters of qualifying organizations purchase products, they also help their organizations. At the end of each fiscal quarter, we total the supporters' purchases and donate a percentage of the dollar amount of their purchases to the participating organization. When supporters of participating organizations pick up dinner, rent a movie or fill a prescription at one of our stores, they also help strengthen youth programs in their communities.

In 2000, the Community Partners Card program raised more than \$12 million for our communities across America.

**JUNIOR ACHIEVEMENT** As part of our support for Junior Achievement last year, Jewel-Osco store directors volunteered their time and shared their insights with schoolchildren in five-week classes. Over 250 classrooms, kindergarten through sixth grade, participated in interactive presentations with the store directors. The presentations focused on such issues as human and capital resources, marketing strategies and smart consumerism. Students, parents and school administrators experienced firsthand the professionalism and caring attitude of our associates.

**LABELS FOR EDUCATION** Albertson's partnered with Campbell's to give one million Labels for Education, valued at approximately \$11,500, to one lucky school chosen through a contest. The winning school—an elementary school in Alamogordo, New Mexico—was presented the gift during a school assembly that included the mayor of Alamogordo, school board representatives, the principal, and more than 300 students. The school redeemed the labels to purchase new computers and sporting equipment.

**IT'S COOKIE TIME** During 2000, Albertson's and Pillsbury joined forces to support our nation's youth and the Big Brothers Big Sisters program. In conjunction with children's cookie-decorating events at 35 of our stores across the country, we presented checks to local chapters of Big Brothers Big Sisters. In December, over 140 randomly selected Big Brothers Big Sisters volunteers and their little brothers/sisters were flown to Los Angeles. The group enjoyed a variety of activities, including a day at Universal Studios. Albertson's and Pillsbury presented a check for \$170,000 to Big Brothers Big Sisters of America.

**ALBERTSON'S KIDS' MARKETPLACE** The Children's Discovery Museum in Carlsbad, California, provides a wonderful opportunity for kids to shop at the Albertson's Kids' Marketplace. The Albertson's exhibit features interactive games that teach the importance of good health and nutrition, and includes shopping with a miniature shopping cart or working as a checker using a real cash register and conveyor belt.

**OSCO SENDS LOTS OF LOVE TO CHILDREN** The annual Love Fund Golf Tournament and Auction contributes to the well-being of children in Kansas City. The event, sponsored solely by Osco, raised over \$60,000 in 2000 and provided clothing, medical and dental care, speech therapy, tutoring and counseling, eyeglasses and summer camp scholarships to many children.

## Health and Nutrition

Albertson's is dedicated to helping ensure the availability of quality health care and human service support in our communities, as well as supplying valuable information and services to help customers and associates maintain active, healthy lifestyles. Following are a few examples of how the Company is making a difference.

**ALBERTSON'S DIETITIAN PROGRAM** Albertson's Dietitian Program has helped educate thousands of customers in California, southern Nevada and Chicago on the merits of healthy eating. This program, managed by highly respected professional registered dietitians, educates customers through in-store tours and appearances, Internet chat groups, brochures and on-camera appearances.

**BREAST CANCER AWARENESS** Albertson's demonstrated its commitment to breast cancer research, education, screening and treatment through a variety of Company-sponsored activities during 2000. More than \$1.9 million was given across the country to breast cancer awareness campaigns.

**MINI MEDICAL SCHOOL** Albertson's sponsored a six-week lecture series, free to the public, at the University of Nevada School of Medicine. Classes on cancer, the respiratory and digestive systems, disease prevention and trauma helped adults increase their knowledge of health-related topics.

**EATING HEALTHY WITH DIABETES** Since 1997, Eating Healthy with Diabetes classes have been sponsored at Albertson's locations during the month of November. The classes are designed to help people with diabetes learn more about their disease and their nutritional needs. In 2000, 115 classes were held at locations in and around Chicago, Milwaukee, Des Moines, Las Vegas, Reno, Los Angeles and San Diego. The program is centered around interactive sessions between patients with diabetes and several key members of the health care team, including pharmacists and registered dietitians. In addition, store tours give participants "hands-on" information to help them make better dietary choices. As a result of this program, many people with diabetes are able to make healthier dietary choices and live healthier lifestyles.

**PHARMACY IMMUNIZATIONS** A number of our Albertson's pharmacies have added immunizations to the list of services provided. Chicago, Milwaukee and Des Moines pharmacists were trained and certified to give six different immunizations year round. The program began with flu shots in the fall of 2000, and has been extended to include pneumonia, hepatitis A and B, tetanus and Lyme disease vaccinations. In many of our Midwest locations, patients who wish to receive low-cost immunizations by a trained health care professional can now look as close as their local Jewel or Osco pharmacy.

#### **HEALTH FAIR PARTICIPATION/HEALTH AWARENESS PROGRAMS**

Every year, Albertson's provides thousands of people with valuable health and nutrition information and health screenings at little or no cost. Albertson's pharmacy associates participate in hundreds of health fairs in many communities across the country, distributing information and answering questions on topics from medication to managing chronic diseases. In addition, Albertson's pharmacies in select markets regularly offer health screenings for diabetes, cholesterol and osteoporosis, as well as risk assessments for heart disease and stroke. Albertson's also sponsors children's immunization programs in a number of low-income communities to help prevent childhood diseases.

#### **Facing Disasters Head-On**

Albertson's helps communities face emergencies and natural disasters. Community members have come to rely on Albertson's reputation of "being there" to help. Albertson's is a faithful partner in times of need—from providing Corporate Brand products to affected communities in the wake of disaster to delivering truckloads of water to communities during extensive flooding.

- In December 2000, east Texas was hit with the worst ice storm in recorded history. Area Albertson's stores donated nearly 5,000 gallons of water to help victims of the ice storm.
- When wildfires hit the Northwest, Albertson's associates immediately began preparing, delivering and serving food and beverages to the firefighters. Various campaigns were held to help raise awareness and support for those fighting the fires. In conjunction with local communities, Idaho Albertson's stores prepared and sold care packages that were donated to individuals on the front lines fighting the fires. We also supported the American Red Cross and Forest Service in their efforts.

#### **Volunteerism**

Albertson's is proud of the contributions our associates make to their communities all across the country. Thousands of associates generously lend their hands and hearts to deserving charities and organizations from coast to coast. We applaud the efforts of all associates who share their talent, compassion and kindness with our friends and neighbors in need.

*It's Your Store*; it's everyone's environment. Albertson's is committed to operating our stores and distribution centers in an environmentally responsible manner. The fewer natural resources used, the less waste generated.

## Awards

Albertson's has been lauded for its environmental efforts by a variety of agencies and organizations. From achieving high recycling rates to fostering true pollution prevention initiatives, Albertson's remains an industry leader in environmental performance.

A few of the awards bestowed upon the Company this past year:

- The National Recycling Coalition Innovative New Product or Material Award for 2000.
- The National Pollution Prevention Roundtable 2000 Most Valuable Pollution Prevention Award, Second Place.
- The Mercury in Flight Award from Health Care Without Harm in recognition of leadership in eliminating mercury from the environment. This recognizes Albertson's voluntary efforts to remove mercury-containing thermometers from our store shelves.
- The WRAP Waste Reduction Award to all California Albertson's stores from the California Integrated Waste Management Board. Additionally, the Board recognized Albertson's as one of 10 "WRAP of the Year" winners in California.
- The Illinois Recycling Association's Recycler of the Year Award.
- The Iowa Governor's Environmental Excellence Award.
- The Utah Department of Environmental Quality Pollution Prevention Award.
- The Utah Pollution Prevention Association Achievement Award.
- The City of Boise EnviroGuard Award for pollution prevention efforts.
- Excellence in Energy Award for 2000 by the San Diego Business Journal.

## Packaging Update

Albertson's supports innovation that reduces costs, improves recycling and increases efficiencies. For example, in 1999 the Company was instrumental in the development of a standard display-ready container for the entire produce industry. That container now carries 50% of the produce shipped to Albertson's stores.

We are pursuing other innovations in produce packaging. We are studying vacuum-cooled broccoli packaged in a non-waxed corrugated box. Using this technique, instead of a traditional ice-slurry process, we receive more broccoli per pound of container and have reduced hundreds of truck deliveries. We save energy and improve recycling. The broccoli arrives fresh in a box that is completely recyclable. Other produce, including celery and green onions, will be attempted next.

Additionally, the Company is encouraging use of a non-waxed corrugated packaging container for poultry and seafood. By addressing these two major procurement items, Albertson's seeks to further reduce the use and disposal of waxed cardboard.

## Energy Management

Albertson's has a comprehensive energy management program to reduce energy consumption in our facilities. This program includes the application of store energy management systems; a capital budget for energy-efficiency upgrades to mechanical, electrical and refrigeration systems; and an ongoing design team focusing on new energy efficient technologies.

The store-level energy management system controls refrigeration, heating, cooling, inside and outside lighting, and hot water heaters. The system reduces energy consumption approximately 15% by ensuring the most efficient use of the energy needed to run the store equipment.

For example, the energy management system helps the compressors use energy more efficiently; these compressors cool the air that makes the refrigerators cold and keeps milk and eggs at the right temperature. The system also remembers to turn on and off the inside and outside lights at the right times. The energy management system also helps the heating and cooling units to work more effectively so that our customers are comfortable while they shop.

Albertson's has set up an extensive capital budget program to perform various energy efficiency upgrades in approximately 1,000 stores during 2001. In addition, Albertson's design team is researching new energy-efficient systems and adding these new technologies to both new stores and remodeled stores.

In response to the energy shortage in the West, Albertson's began directing its San Diego, California, stores to dim store lights by 50% beginning in August 2000. By January 2001, all California, Idaho, Oregon and Washington stores had followed suit. In February, Nevada and Utah stores also joined the program. The power-down in all six states is expected to give a jolt to the power supply in the summer of 2001, making available approximately 700 megawatt hours each day—enough daily energy for 26,000 households. By March 2001, the total number of Albertson's food and drug stores participating in the program was nearly 1,100—approximately 43% of all Albertson's stores.

## Recycling

Recycling is an Albertson's tradition. Our stores continue to recycle corrugated cardboard, plastics, wooden pallets, bakery buckets, cooking oil, meat and bone scraps, single-use cameras and printer cartridges.

Our distribution centers recycle corrugated cardboard, plastic pallet wrap, metal scraps, wood pallet scraps, used equipment, used oil, antifreeze and tires.

Routinely, we recycle construction materials, including parking lot surfaces and building materials, as part of building remodels or new store construction.

Plastics recycling from our stores and distribution centers in fiscal year 2000 was over 9 million pounds, a 68% increase over plastics recycling in fiscal year 1999.

Cardboard recycling reached an all-time high of over 318,000 tons, exceeding 1999's impressive total of 246,000 tons. Revenues from recycling cardboard also increased. One year's supply of Albertson's recycled corrugated cardboard will make 2.5 billion cereal boxes.

Corporate Brand products continue to use 100% recycled paperboard in all appropriate consumer packaging. We use the 100% Recycled Paperboard logo on Albertson's cereal boxes and other prepared foods containers.

Albertson's is replacing over 300,000 square feet of carpeting as part of the General Office renovation. We contracted with a firm that takes back all existing carpeting and recycles it into backing for new carpeting. As a result, 120 tons of worn carpeting will be diverted from the landfill and reused to make new carpeting. To close the circle on this endeavor, all carpeting installed is made from recycled materials and is fully recyclable.

## OTHER RECYCLING INITIATIVES

- Over 1.5 tons of customer reward cards were recycled, preserving customer confidentiality and ensuring reuse of resources.
- Hundreds of fluorescent light ballasts were replaced and recycled during a conversion to more energy-efficient lamps at the General Office.
- Newspaper and aluminum can recycling bins were situated at Albertson's parking lots in cities like Denver, Colorado, and Boise, Idaho. Proceeds from the collected recyclables support local charities, including Shriners Hospitals and Kiwanis and Lions Club projects.

## Waste Management/Diversion Opportunities

In July 2000, trash compactors in Idaho Division stores were outfitted with a color-coded pressure gauge that serves as a tool to assist store personnel in determining when the compactor is getting full. By calling for trash removal service only when the gauge reads 80% full, stores can reduce the frequency of waste service and directly reduce operating costs. By year's end, two-thirds of stores outfitted with a gauge had realized significant savings.

Three California stores are diverting their produce waste from the waste stream by donating it to the Wildlife Waystation, a licensed, non-profit animal sanctuary located in Tujunga Canyon. The Waystation rescues, rehabilitates, relocates and provides sanctuary for exotic animals from around the world as well as native wildlife.

## Real Estate

We strive to create new stores in locations convenient for our customers without creating community or environmental conflicts. As we consider sites for new stores, we might find we need to preserve trees at one site. At another, we might need to clean up environmental damage caused by a former owner. At a third, we might need to protect or replace wetlands. Such situations challenge us to be flexible and innovative, and we meet those challenges with enthusiasm.

On a site with too many trees, for example, we can move existing trees and incorporate them into our landscaping—or we can move them to another site. Sometimes a tree is so important to the community that we literally design around it. At our store site in Cotati, California, an old oak tree growing in the center of the lot will become the centerpiece of the landscaping.

Occasionally a great store site includes a former gas station. Older stations, built before the newest environmental regulations were in place, were not constructed to meet today's high standards. As a result, they often allowed fuel to leak into groundwater. Albertson's team of environmental specialists addresses the cleanup of a site and provides the expertise to get the job done. Team members have used many innovative techniques to make environmentally damaged sites useful again.

In areas where wetlands exist, Albertson's works with governmental agencies and local citizens' groups to determine the best way to provide appropriate wetlands habitat. Sometimes the best way to preserve wetlands is to relocate them. In such a case, Albertson's purchases other wetlands in a less commercial area as a replacement and maintains them indefinitely. On other occasions, we can develop a wetlands area on land near our store. For example, at the site of our store at Russell and Higgins in Missoula, Montana, the existing small drainage area was not well maintained. Albertson's created a walking path, added water features to enhance the natural water flow and built a retention pond. Now the wetlands are home to numerous amphibians, redwing blackbirds and other wildlife.

Albertson's owns and maintains many wetlands in Florida, where wetlands are critical to the ecosystem and nearly every site we develop has water issues. Upon completion of our Plant City,

Florida Distribution Center, Albertson's was honored for conservation of endangered wildlife by the Life Fellowship Bird Sanctuary. Those conservation efforts continue today with the preservation of surrounding wildlife habitats. And our Tulsa Distribution Center maintains on-site wetlands that are home to many migrating waterfowl during the year.

At our newest distribution center in Lancaster, Pennsylvania, the wetlands protection project has been very successful. A number of smaller wetlands were consolidated into a larger, one-and-one-half-acre site, covered with a variety of native vegetation. The site provides habitat for various invertebrates, amphibians, reptiles, small mammals and even songbirds.

Albertson's also is involved in environmental solutions that result in lower traffic and travel distances. Albertson's believes in building neighborhood stores. The design of our newest combination food and drug stores encourages customers to make one trip to our store—where they can take care of grocery, pharmacy, banking, dry cleaning and fuel needs—rather than several trips to different businesses.

Our project at Fulton and Masonic in San Francisco goes one step further. It will provide a total shopping experience, including grocery and pharmacy, in the same building in which customers live. Such a project addresses the challenges of limited parking, mass transit and air pollution.

Our new store teams also look beyond our store sites to the environmental needs of the community as a whole. For example, the team planning our new store at 32nd and Clement in San Francisco, California, wanted to revitalize the neighborhood in which the store operates and give something back to the community. As a result, Albertson's is contributing toward the planned facelift of a neighborhood park.

In conjunction with the celebration of Albertson's new store openings, we make environmentally friendly donations to neighborhood elementary schools. Albertson's joined forces with the National Arbor Day Foundation to donate 10 seedling trees, complete with planting directions and materials, to each school in our new neighborhoods. The trees are intended to assist in teaching students about the importance of trees and the environment. Over the past three years, we have donated 16,000 trees.

## Corporate Brand Quality Assurance

Approximately 400 vendors supply the more than 6,000 different products we sell under our own labels. In order to deliver the quality we know our customers expect, we follow an extensive quality assurance program. The basic elements of our program are written specifications, vendor plant audits, extensive product evaluations, product improvement actions and customer inquiry responses.

We pride ourselves on having a thorough and effective quality assurance program that will keep our Corporate Brand products among the best values available in the highly competitive and ever-changing retail marketplace.

## Food Safety and Sanitation

We are committed to offering safe, high-quality food in clean, attractive stores.

**FOOD SAFETY** We train all food-handling associates, department managers, store directors and upper level managers in safe food-handling practices appropriate to their positions. Every quarter, food safety and sanitation training updates are presented to over 95,000 Albertson's front-line associates. This training helps ensure that our associates meet Albertson's high standards for food safety and sanitation. Albertson's Food Manager Training and Certification program meets or exceeds regulations in all jurisdictions where we operate.

**FRESH PRODUCE SAFETY** We are continuing a program launched in 1999, to help ensure the safety of the fresh produce we sell. We have asked all fresh-produce suppliers, growers, packers and shippers to comply with the joint government- and industry-developed Good Agricultural Practices (GAPs). GAPs describe programs, policies and actions to help fresh-produce growers and vendors keep disease-causing organisms from contaminating fresh produce. GAPs include methods to ensure clean irrigation water, clean fertilizers and personal hygiene practices for field workers. This effort, when complied with by our fresh-produce suppliers, improves the safety of produce in our stores—and our large supplier base contributes to the safety of produce worldwide.

**CONSUMER EDUCATION** Albertson's works cooperatively with health departments across the country to provide customers with valuable information on how to keep food safe at home. We conducted 93 food safety education days in our stores along

with local health departments during fiscal year 2000. Providing this information to our customers allows Albertson's to extend our food safety efforts from the store to our customers' kitchens.

**CLEAN STORES** Consumer surveys repeatedly show that clean stores are among the most important factors in a customer's selection of a place to shop. Albertson's goal is to have the cleanest stores in the industry. Each store's Clean Team leader helps store personnel to achieve this goal through coordination of the store cleaning program.

## Consumer Issues

**ORGANIC FOODS** We are proud to offer an assortment of organic foods for our customers. Most of the organic foods we sell are displayed and identified in our fresh produce departments.

**GENETICALLY ENGINEERED FOODS** We have joined with many others in the industry in calling on the federal Food and Drug Administration (FDA) to assume responsibility for approvals and labeling requirements for genetically engineered foods. Such regulations have recently been proposed by the FDA.

**IRRADIATED FOODS** We presently do not offer any foods treated with any type of irradiation. We are watching this area carefully to determine what action, if any, is appropriate.

**ANIMAL WELFARE** We believe animal welfare issues, including animal husbandry practices and humane processing, are issues of importance to all members of the food industry. Therefore, we have joined with other members of the food industry in adopting a policy calling upon the producers of animal foods to comply with guidelines consistent with this goal. The policy includes a statement of belief that animals can and should be raised, transported and processed using procedures that are clean, safe and free from cruelty, abuse or neglect. We also will work with others in the industry to promote best practices that will strengthen food quality and safety, and ensure animal well-being at every step of the production process.

## Other Issues

We are active in associations that help us remain on the cutting edge of information regarding the procurement, production, transportation, storage and sale of the safest foods possible.

## > RETAIL OPERATIONS

- At fiscal year end, Albertson's operated 2,512 retail stores in 36 states across the country.
- At the end of fiscal year 2000, we announced a new organizational structure for the Company that eliminated the region level and aligned the Company around 19 operating divisions. This new structure results in quicker response to our customers' changing needs market by market and allows us to serve those needs better. The Company's corporate marketers and merchandisers are focusing their efforts on strategic planning while the responsibility for the day-to-day operations, as well as execution of the marketing and merchandising programs, resides at the division level—closer to the customer. This new structure leverages Albertson's nationwide presence while executing its customer-focused strategies neighborhood by neighborhood.
- The Company's operations are generally located in major metropolitan markets. In our core market areas, our food and drug store operations are generally number one, two or three in market share. The Company works to maintain and expand its strong market positions by significantly investing in core market areas.
- Merchandising in the Company's food stores is designed to meet the needs of the consumer. Most new food stores are 57,000- to 67,000-square-foot combination food and drug stores with an emphasis on perishables and service departments such as produce, floral, meat, seafood, deli, bakery and prepared foods. The combination stores also offer a pharmacy and a full assortment of drugstore products. Many stores offer services such as one-hour photo developing, banking, dry cleaning and coffee bars.
- The Company's drugstores are designed to allow convenient shopping and prescription pickup. The Company operated 1,977 pharmacies and filled over 130 million prescriptions in 2000. The drugstores offer a wide assortment of general merchandise, health and beauty care products, over-the-counter medications, greeting cards and photo processing services. The Company's new drugstores are typically freestanding corner locations, and many offer a drive-thru pharmacy.
- Our 150 fuel centers add another dimension of convenience for our customers, allowing them to fill their grocery carts and their fuel tanks in one trip. In addition, convenience stores at 107 of our fuel centers allow for cross merchandising and promotion opportunities in conjunction with the main store.
- Store-level management teams, including department managers, participate in a quarterly performance-based bonus program.
- Our front-end managers keep us focused on customer service and convenience at the checkstands.

### One-Stop Shopping

We help buy time for our busy customers through the convenience of one-stop shopping. Our stores offer customers a variety of additional services and departments. For example:

- During 2000, we partnered with local banks to open an additional 94 in-store bank branches, for a total of 997 at year-end.
- Quick Fixin' Ideas® Meal Centers and prepared entrees allow customers to pick up meal ideas and recipes to make quickly at home, or to select from a variety of meals already prepared—or both.
- Our Farmer's Market floral departments provide customers with a wide variety of high-quality flowers and custom arrangements.
- Our Service Fish and Meat Counters provide customers with a quality selection of choice cuts of beef, poultry and pork as well as fresh fish and seafood.

### Corporate Brands

Corporate Brands are an important part of the Company's merchandising strategy, offering value-conscious consumers quality products at prices below those of national brands and providing higher margins to the Company. The Company's Corporate Brands programs include such brands as "Albertson's," "Acme," "Jewel," "President's Choice," "Good Day" and "Sav-on Osco by Albertson's." The "Village Market" meat label, which was

previously available only in American Stores' stores, has been introduced companywide. In addition, we have launched our "Timberwood" wines label across the Company. Our new "Identity" bath and beauty products line is available in our drugstores. Sales of Corporate Brand products in 2000 were approximately 17% of total sales (excluding products produced "in-store," such as prepared meals, bakery and produce products).

### Neighborhood Marketing

Our commitment to our neighborhoods is as old as the Company itself. Joe Albertson gave us words to live by: "You've got to give the customers the merchandise they want, at a price they can afford to pay, complete with lots of tender loving care." He made a habit of driving through neighborhoods in Boise, Idaho, to look for tricycles on sidewalks, station wagons in driveways and toys on lawns. These were sure indications of the need for a grocery store nearby. He called this "neighborhood marketing," and it is a term and practice we still use today. His method also gave him the opportunity to meet and really know his customers and associates.

Although our methods are much more sophisticated today, we still build our stores in neighborhoods; we still hire family, friends and neighbors; and we still build partnerships with schools, churches and communities. Our neighborhood marketing system provides demographic and lifestyle information on each store's market area. Information on income, age, ethnic mix and family size helps us design the best product selection and display space for each store. We use telephone surveys, focus groups, mail surveys and one-on-one interviews, as well as customer comment cards, to stay in touch with our shoppers. Our business is based entirely on providing our customers the products, services and information they want.

### Online Shopping

The Internet today is a widespread source of information, and its influence reaches not only to the technical fields of computers but throughout society as an advertising, communication and retail vehicle. We began testing Web-based shopping in the Dallas/Fort Worth, Texas, market in 1998 to learn about home

delivery, online ordering and the Internet. In November 1999, we began testing an original concept in the Seattle/Bellevue, Washington, area. We combined a gourmet store with a fulfillment center for online orders, offering over 16,000 items. This concept led us to the launch of our convenient pick-up service at 36 Albertson's stores in the Puget Sound area. We are continuing to refine this program and will use stores throughout the greater Seattle area to fill orders. These stores will not be hybrid stores with fulfillment centers, but traditional stores with traditional layouts. We have found that by using technology, we can select a limited number of orders per store and serve both our traditional and cyber customers better—without disrupting store flow and without the need for a separate fulfillment area. Albertsons.com was number one in the customer confidence category ranking of the Gomez Internet Grocery Stores Scorecard for three consecutive quarters in 2000.

We are exploring other key markets for potential extensions of our online shopping business. We plan to use the same in-store pick model we are using in Seattle, as well as offer our customers similar home delivery or store pick-up options.

In February 2000, Savon.com, our online drugstore, began serving customers nationwide. On December 7, 2000, Savon.com opened the "doors" to our nationwide online pharmacy service. The site offers a full range of sundry items, new and refill prescriptions and consumer health information. The Web site allows customers across the country the freedom to have new or refilled prescriptions ready for pickup at any of our stores, or have their prescriptions mailed to their doorsteps. Sundry items ordered on the site are delivered to customers' homes within three to five business days.

Albertsons.com and its sister site, Savon.com, infuse cutting-edge technology with the customer service that has built our Company brick by brick—and now byte by byte. We're not just planning for the future, we're creating it.

> RETAIL LOCATIONS (as of fiscal year end)

Division	Total*	Combination Food and Drug Stores	Conventional Supermarkets	Stand-Alone Drugstores	Warehouse Stores	Fuel Centers
Drugstore	722			722		
Southern California	312	217	83		12	6
Midwest	274	174	16	84		5
Northern California	193	105	85		3	
Eastern	155	78	77			
Dallas/Fort Worth	134	129			5	21
Florida	111	111				8
Southwest	74	73	1			11
Houston	70	70				28
Rocky Mountain	67	57	2		8	4
Western Washington	59	48	11			4
Great Plains	56	56				17
Oregon	53	46	7			3
San Antonio	50	50				11
Idaho	48	38	9	1		9
Utah	47	44	3			6
Big Sky	35	19	16			4
Mid South	27	26	1			6
Inland Empire	25	21	4			7
Total—All Divisions	2,512	1,362	315	807	28	150

\* Does not include Fuel Centers

**Other Operations:**

Online Shopping

Albertsons.com

Savon.com

Health 'n' Home

Home Delivery 9

Infusion Pharmacy 2

### Combination Food and Drug Stores

Super grocery/drugstores combined under one roof. Most offer prescription drugs, an expanded section of cosmetics and other non-foods, and specialty departments such as service seafood and meat, bakery, lobby/video, service delicatessen, liquor and floral. Many also offer meal centers, party supply centers, coffee bars, in-store banks, dry cleaning, photo processing and destination categories for beverages, snacks, pet care products, paper products and baby care merchandise.

Size: 35,000–107,000 square feet  
1,362 stores in 31 states

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### Conventional Supermarkets

Supermarkets offering a full selection in the basic departments of grocery, meat, produce and dairy as well as limited non-food lines. Many conventional stores have an in-store bakery and a service delicatessen.

Size: 8,000–35,000 square feet  
315 stores in 15 states

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### Warehouse Stores

No-frills stores offering significant savings with special emphasis on discounted meat and produce. Warehouse stores offer shoppers the opportunity to save by purchasing in quantity.

Size: 17,000–70,000 square feet  
28 stores in 4 states

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### Stand-alone Drugstores

Free-standing or in-line drugstores offering convenient shopping and prescription pickup as well as a wide assortment of general merchandise, health and beauty care products, over-the-counter medications, greeting cards and photo processing services.

Average Size: 18,400 square feet  
807 stores in 21 states

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### Fuel Centers

Convenient centers located near existing stores and featuring three to six fuel pumps and a small building, ranging in size from a pay-only kiosk to a convenience store featuring such items as candy, soft drinks and snack foods.

Size: 70–2,000 square feet  
150 centers in 21 states

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### Online Shopping

Internet sites offering groceries, general merchandise and prescription drugs as well as information and ideas.

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### Specialty Services/Departments (as of fiscal year end)

General Merchandise	2,436
Pharmacy	1,977
Service Delicatessen	1,647
Liquor	1,630
Bakery	1,614
Service Seafood and Meat	1,592
Floral	1,280
1-Hour Photo	1,206
Bank	997
Lobby/Video	944
Coffee Bar	276
Drive-Thru Pharmacy	169
Fuel Center	150
24-Hour Pharmacy	138
Car Wash	3

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## > STORE DEVELOPMENT

- During 2000, we opened 56 combination food and drug stores, 1 conventional supermarket, 1 warehouse store and 33 drugstores.
- Of the 91 new stores opened in 2000, 12 were acquired stores.
- In 2000, we opened 74 fuel centers under the names Albertson's Express<sup>®</sup>, Jewel Express<sup>SM</sup>, or Seessel's Express<sup>SM</sup>. At year end, we had 150 fuel centers and 3 car wash facilities in operation. In 2001, we plan to open 105 additional fuel centers.
- We added 94 in-store banks during the year, for a total of 997 banks in operation at year end. We plan to continue expanding this program.
- We completed 101 combination or conventional store remodels, including 21 expansions, in 2000. We also completed 13 drugstore remodels in 2000. Our efficient, phased remodel process minimizes customer disruption.
- During 2000, we completed 8 minor remodels, which allowed us to fine-tune existing stores to better fit their neighborhoods. Minor remodels include adding one or more destination categories or adding new departments.
- In 2001, we plan to open approximately 80 combination food and drug stores and 75 drugstores, approximately 60 of which will be replacement stores. We plan to complete major remodels on approximately 115 stores and minor remodels on approximately 75 stores for a total of 190 remodels.
- We primarily build combination food and drug stores of between 57,000 and 67,000 square feet. A limited number of 40,000-square-foot stores will be built in smaller cities or on smaller land parcels.
- Our average store size at year end was 54,000 square feet for combination food and drug stores, 18,400 square feet for drugstores, 26,700 square feet for conventional supermarkets and 46,300 square feet for warehouse stores.
- At year end, 107 fuel centers had convenience stores ranging in size from 1,200 to 2,000 square feet, and 43 fuel centers had kiosks (pay stations) averaging about 100 square feet.
- Cross-functional development teams increase efficiency and continuity in the development of new stores. Each of the 36 teams is composed of a real estate specialist, an attorney, an architect and a construction manager, and includes a mixture of corporate and division team members. Economic research analysts, store planners, engineers and purchasing agents support these teams. Similar teams support our remodel program.
- Our Store Development Information System tracks all new store, remodel and fuel center projects. All prospective store sites are visited and approved by a minimum of three members of our senior management team.
- Our stores are supported by a property management/maintenance staff to preserve our assets in a cost-effective manner and to provide a clean, pleasant and safe operating environment for our customers and associates.
- We continually review all stores and eliminate marginal performers; surplus stores are sold, leased or subleased. In 2000, we closed 22 combination stores, 21 conventional supermarkets and 28 drugstores.
- A neighborhood marketing approach is used to select store sites to maximize sales and profits within individual trade areas.
- In keeping with our neighborhood marketing focus, exterior elevations are responsive to community input. We design each store's exterior elevation for its neighborhood. We have a variety of décor themes from which to choose when designing our stores. Additionally, these décors can be altered to fit their neighborhoods better. We have even developed custom design solutions to fit some neighborhoods.
- We add destination categories/departments in many new stores and remodels. These include natural foods, beverages, snacks, video, party supplies, floral, pet care, paper products, baby care, beauty care, reading, dry cleaning, coffee/ice cream, university booster supplies, home care (maintenance and cleaning supplies), photo and wine.
- At year end, we owned over 47% of the retail stores we operated, including owned stores on leased land.

## 2000 Retail Store Activity

### OPENED

Combination Food and Drug Stores	56
Conventional Supermarkets	1
Warehouse Stores	1
Drugstores	33
Fuel Centers	74

### REMODELED

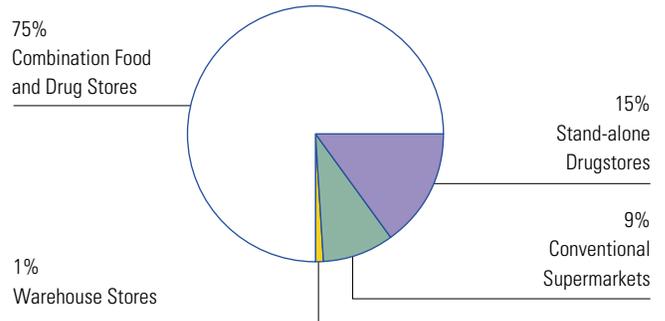
Combination/Conventional (21 expanded)	101
Drugstores	13

### CLOSED

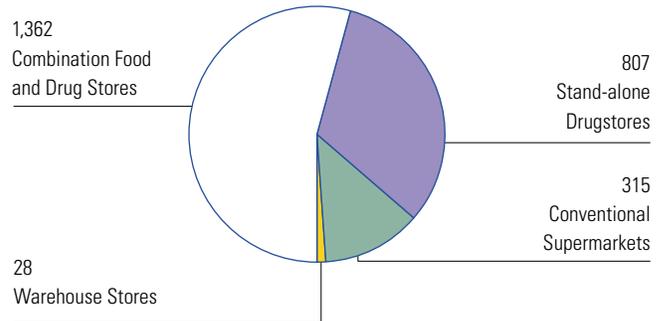
Combination Food and Drug Stores	22
Conventional Supermarkets	21
Drugstores	28

## 2000 Square Footage by Store Format

(percent to total square footage)

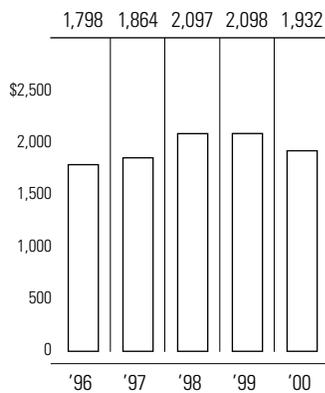


## 2000 Number of Stores by Store Format



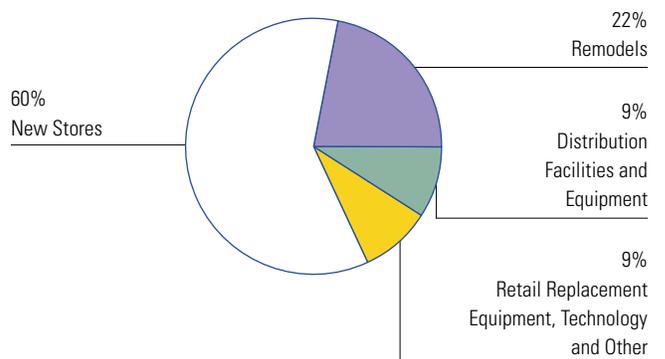
## Capital Expenditures\*

(dollars in millions)



## 2000 Capital Expenditures by Type\*

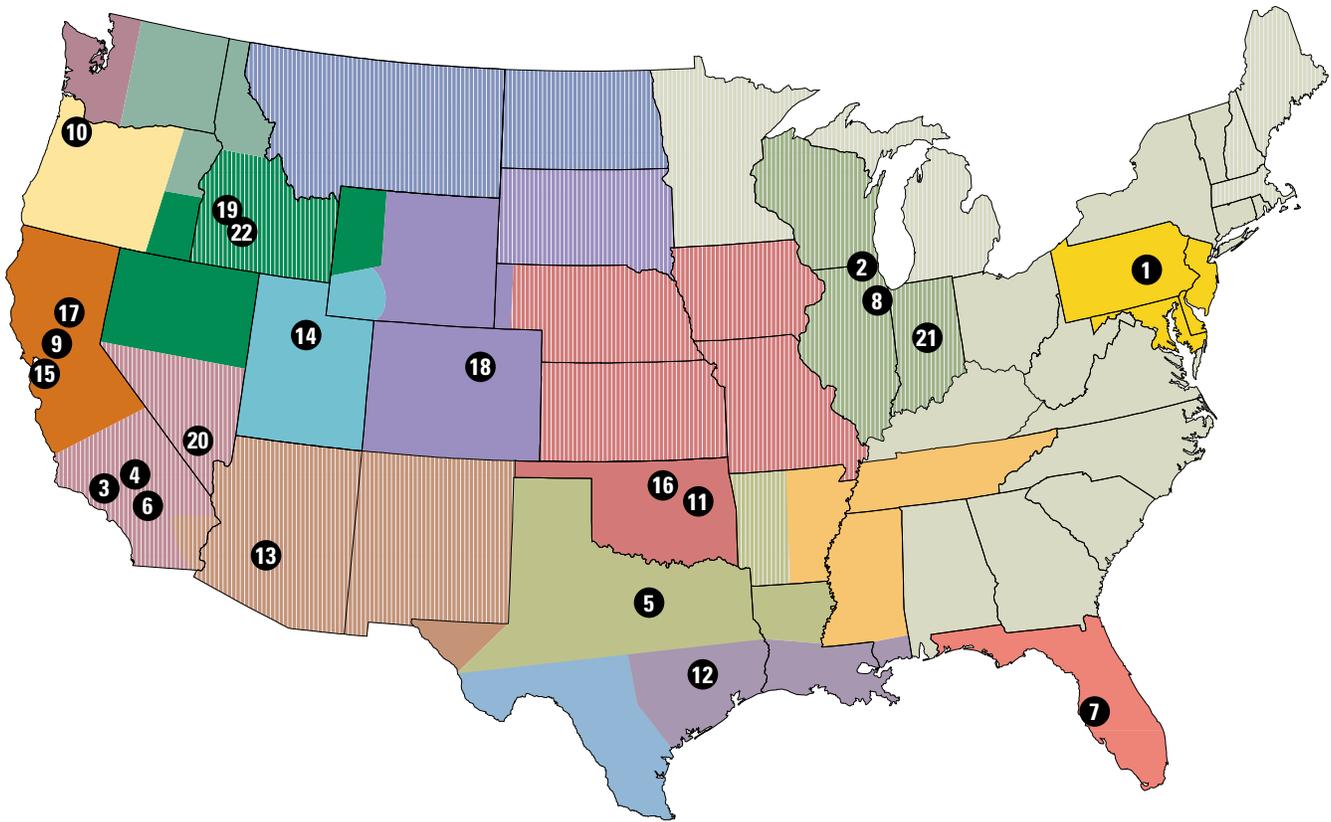
(percent to total capital expenditures)



\* Includes business acquisitions and operating leases

> DISTRIBUTION

	Grocery	Frozen Food	Liquor	Produce	Meat and Deli	Ice Cream	Health & Beauty Care	High-Volume Health & Beauty Care	General Merchandise	Pharmaceuticals	Square Footage	Position on Map
<b>Major Distribution Facilities</b>												
Lancaster, Pennsylvania	•			•	•		•		•		1,366,000	1
Melrose Park, Illinois	•	•		•	•						1,344,000	2
Brea, California	•	•			•						1,231,000	3
La Habra, California			•				•		•	•	1,184,000	4
Fort Worth, Texas	•	•		•	•						1,100,000	5
Irvine, California	•			•							996,000	6
Plant City, Florida	•	•	•	•	•			•			979,000	7
Elk Grove, Illinois							•		•	•	933,000	8
Vacaville, California	•										854,000	9
Portland, Oregon	•	•		•	•						790,000	10
Tulsa, Oklahoma	•	•		•	•						748,000	11
Houston, Texas	•	•		•	•						747,000	12
Phoenix, Arizona	•	•	•	•	•			•			687,000	13
Salt Lake City, Utah	•	•		•	•						680,000	14
San Leandro, California		•		•	•						453,000	15
Ponca City, Oklahoma							•		•	•	422,000	16
Sacramento, California	•	•	•	•	•						421,000	17
Denver, Colorado	•	•		•	•						372,000	18
Boise, Idaho							•		•		238,000	19
<b>Other Distribution Facilities</b>												
Las Vegas, Nevada			•								30,000	20
Indianapolis, Indiana			•								22,000	21
Boise, Idaho						•					11,000	22
Total Square Footage—												
All Distribution Facilities											15,608,000	



- All retail stores are supplied by Company distribution centers.
- We operate 19 major distribution operations strategically located throughout the country to service the stores.
- We operate 14 food distribution centers and 5 non-food distribution centers.
- Three of the non-food distribution centers supply pharmaceutical products to both the drugstores and the food stores with pharmacies.
- The food distribution centers supply consumable grocery items to our drugstores located in their operating areas.
- Company distribution centers supply 79% of all products purchased by Company retail stores.
- Our distribution centers supply Company stores only.
- Technology plays an important role in helping the distribution centers maintain accurate, efficient and timely operations. A special focus on accurate store shipments is accomplished with mechanization, scanning and radio frequency technology to ensure that the correct cases are shipped to the stores.
- Most distribution centers operate as profit centers and the profits earned are rebated back to each store based on its purchases from the distribution centers.
- The Plant City and Phoenix distribution centers supply a limited line of high-volume health and beauty care items to the stores in their areas, reducing transportation costs.
- Purchasing for the non-food distribution centers is done on a central procurement basis, while procurement for the food distribution centers is done locally.
- Distribution center buyers are responsible for purchasing high-quality products at the best possible cost while maintaining proper levels of inventory.
- The Corporate Procurement Department enhances Albertson's buying and selling power by working with distribution centers, retail operations and suppliers to ensure the lowest possible costs, maximum promotional opportunities and consistent quality of all products, both national and corporate brands.
- At year end we owned the real estate of over 90% of our major distribution operations.

**PHILOSOPHY** Information systems and technology (IS&T) are priorities in which we continually invest. Such investment allows us to use these tools to serve customers better, to increase sales and profits, and to manage operating expenses at both the retail and distribution levels. In addition, we continually seek out and use information and technology applications that satisfy our customers' needs and make our associates' jobs easier.

**INITIATIVES** Based on the complexities of the organization and the need for rapid technology solutions, we are focusing on the following information systems and technology issues:

- Continue to weave IS&T into the strategies of the entire Company.
- Evaluate all investments in technology using the same value-based decision tools used on all other capital investments.
- Address only the external and internal solutions that will create value in our business.
- Develop solutions in a timely and affordable fashion—focused around the architecture, business model, processes and human resources in IS&T.

**NETWORK** A private wide-area network of phone lines and satellites, coupled with the Internet and local-area networks at each store, distribution center and administrative office, helps serve our Company information needs. This infrastructure provides the framework for information distribution across all areas of our organization and links our large-scale computers, in-store processors and personal computers to customers, suppliers and associates. Additionally, this network provides the infrastructure for distributing training via the Web or video broadcasts.

**FRONT-END SYSTEMS** Fast, friendly customer service is critical in our business. We use technological applications in our front-end systems to give customers at our checkstands the most positive experience possible, with the proper balance of efficiency and customer intimacy. Our front ends are equipped with PC-based registers, computerized intuitive keyboards for our checkers and color display screens for our customers. We increase customer convenience and checkout speed through systems that allow customers to pay with debit cards, credit cards or electronic benefit payments, and with our customer-friendly national check authorization system. Handheld scanners

in checkstands and selected departments, such as liquor, lobby and pharmacy, make our associates' jobs easier. Our front-end system can print detailed customer receipts showing overall promotional savings and continuity points for loyalty card customers. In selected stores, we are testing self-checkout systems to enhance our customers' shopping experiences.

**CHECK AUTHORIZATION AND AUTOMATED RETURN CHECK SYSTEM** We can electronically audit any check written at any traditional Albertson's store. Once a customer's identification has been entered into the check authorization system, the system will recognize that customer's check at any Albertson's store. In addition, once identifying information on insufficient-fund or stolen checks has been entered, the program will reject any checks written from those accounts—protecting our customers and mitigating our bad check expense. We are extending both features of this system to our American Stores sites with expected completion by the end of 2001.

**FRONT-END SALES FORECASTING** Today's busy lifestyles leave less time for shopping than in the past. To ensure that our customers' visits to our stores flow as smoothly as possible, our front-end managers focus on checkout effectiveness. Forecasting systems based on store activity help those managers customize staffing schedules to fit customer flow and sales patterns in each store. The end result? We can ensure excellent service for our customers at all times.

**PHARMACY COMPUTER SYSTEMS** A state-of-the-art pharmacy computer system helps our pharmacists assist our customers. It provides enhanced drug-interaction and allergy screening, insurance billing, patient counseling information and drug information to increase accuracy of all prescriptions. Customers can order prescriptions over the Internet—or in select locations, over the phone. We also are giving both customers and pharmacists access to more online, health-related information to help them manage disease and promote good health.

**WEB TECHNOLOGY** Both the Internet and our intranet are important to Albertson's operations. During 2001, we will roll out our new Web-based retail performance system that will allow the retail operators at store, division and corporate level to view sales, gross margin and labor performance on a daily basis. Armed with this information, effective management solutions at store level

will be possible using online data detailing individual store schematics, fast-selling items, sales plans and gross margin opportunities.

**ELECTRONIC DATA TRANSMISSION** In-store computers capture daily sales and product-movement information, associate time and attendance figures, price audit information, inventories and store delivery invoice data. The computers then transmit the data to corporate and division offices electronically, through our network infrastructure. The same infrastructure is used to transmit invoice data between distribution centers and stores and to send pricing data between division offices and stores.

In addition, 2,200 suppliers communicate with our distribution centers via Electronic Data Interchange (EDI) for purchase order pricing, shipping criteria and invoice information. Select direct-delivery suppliers also use EDI for price and product maintenance. We use Internet technology in conjunction with EDI to reduce the cost of communication.

All of these systems allow our associates to complete necessary tasks quickly and efficiently and to focus their attention on providing great customer service in each neighborhood we serve.

**COMMON WIRELESS PLATFORM** Wireless, radio-frequency handheld units are connected to each store's local-area network. These units increase store associates' productivity and accuracy in ordering and receiving products, auditing shelf prices and managing inventory. Wireless platforms are also used for wireless registers in selected stores.

**NEIGHBORHOOD MARKETING** At Albertson's, we know that each neighborhood is different. We also know that in order to serve a neighborhood well, we must understand that neighborhood. That's why we use an information system based on demographics, lifestyles and life stages to analyze each neighborhood. That analysis helps us to map neighborhoods, select the best possible store sites, plan our stores to offer destination categories that will meet the needs of the customers and even market particular products to meet those needs. Our technological tools help us to continue to operate each store as if it were our only store.

**ELECTRONIC MARKETING** The merger with American Stores provided the Company with additional expertise and experience in the area of electronic marketing. Through the use of loyalty cards in certain markets, we have the detailed information to tailor sales offers to our customers based on their specific needs.

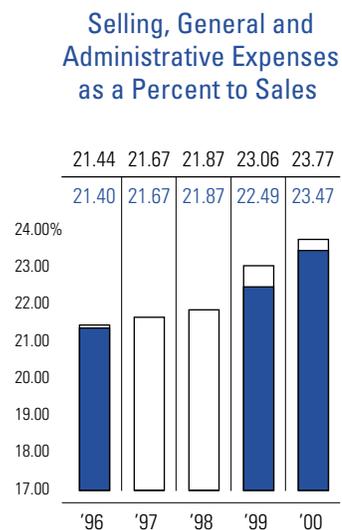
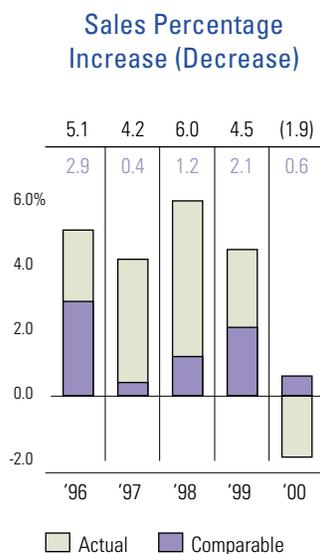
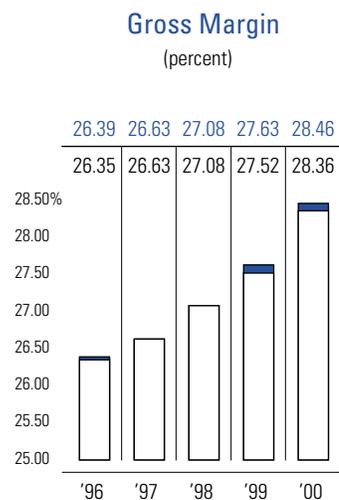
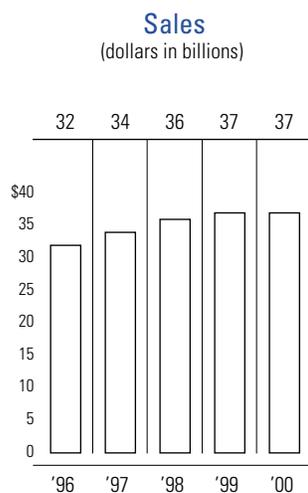
**SCHEMATIC AND PLANOGRAM SYSTEM** We capture and study product-movement data to determine store layouts and specific shelf allocations for each item we sell. This powerful shelf-management tool provides easy-to-use graphic representations. Our merchandising staff at the division level uses those representations to determine how to meet diverse customer needs in each community we serve.

**DISTRIBUTION CENTER TECHNOLOGY** A comprehensive computerized system for ordering, receiving and shipping products while managing inventory makes our distribution centers more efficient. Handheld radio-frequency technology is used in a variety of ways in our distribution centers to improve productivity. In addition, handheld units are used along with high-speed scanning systems to audit each store's order—ensuring accuracy and product availability.

**BUSINESS TO BUSINESS (B2B)** Trading exchanges unite the buy and sell sides of a business process and add efficiencies and cost reductions that are substantial. Albertson's, along with 16 other worldwide retailers, formed the WorldWide Retail Exchange, or WWRE, for the retail community. Through e-procurement and supply-side Web initiatives, the supply chain process costs, both for the retailers and the suppliers, should decrease considerably for products we buy to resell to our customers. E-procurement and, more specifically, online auctions are already creating tremendous savings for the companies that embrace this technology for the purchase of products they use to run their businesses. Albertson's continues to be very active in online auctions and has already seen substantial savings.

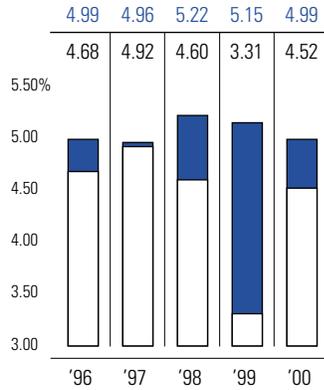
**COMPUTER-ASSISTED ORDERING** During 2001, we plan to test and initiate the roll-out of this new technology to all stores across the Company. Computer-assisted ordering will allow our associates to manage the most efficient inventory levels for our stores—while maintaining the right amount of product for our customers.

## Income Statement

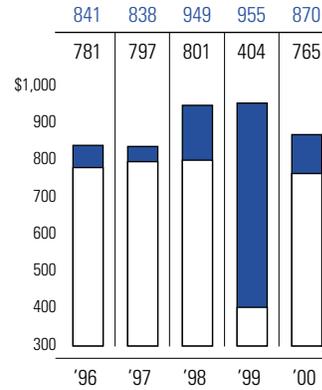


- Comparable Store Sales—Stores open two full fiscal years, including replacement stores.
- Identical Store Sales Increase (Decrease)—Stores open two full fiscal years, excluding replacement stores; 2.4% in 1996, (0.04)% in 1997, 0.5% in 1998, 1.7% in 1999 and 0.3% in 2000.
- 1999 was a 53-week year. 1999 sales increased 5.4% when compared on a 52-week basis to 1998 and excluding sales from divested stores from both years. 2000 sales increased 3.8% when compared on a 52-week basis to 1999 and excluding divested stores' sales from both years.
- This presentation excludes merger-related costs and one-time charges (see Footnotes on pages 34–35).

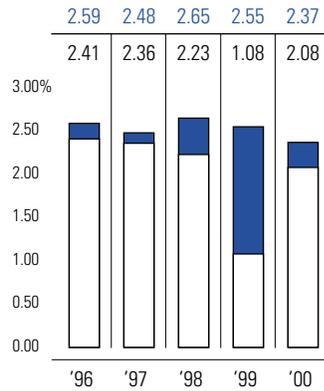
### Operating Margin (percent)



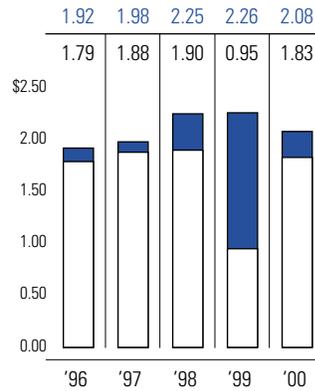
### Net Earnings (dollars in millions)



### Net Earnings as a Percent to Sales



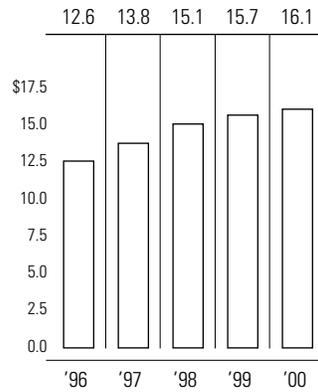
### Earnings Per Share – Diluted (dollars)



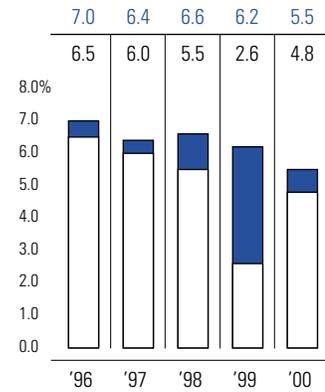
□ Certain reclassifications have been made in prior years to conform to classifications used in the current year.

## Balance Sheet

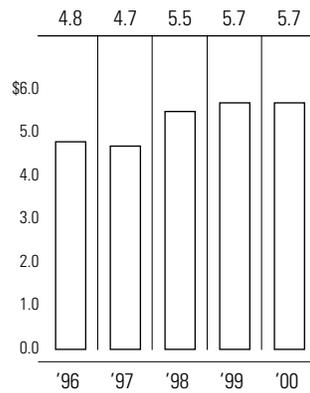
**Total Assets**  
(dollars in billions)



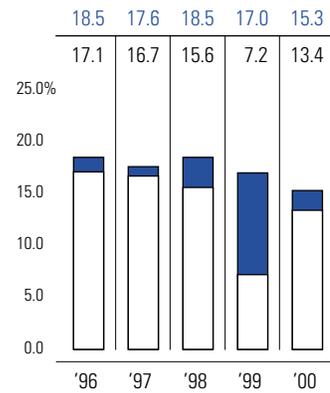
**Return on Average Assets**  
(percent)



**Stockholders' Equity**  
(dollars in billions)

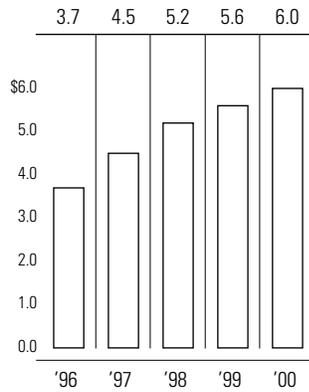


**Return on Average Stockholders' Equity**  
(percent)

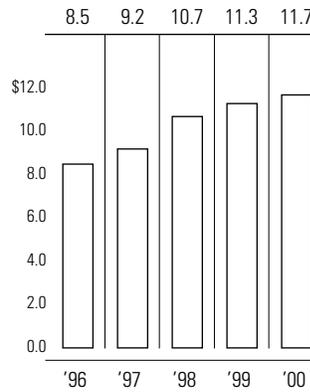


■ This presentation excludes merger-related costs and one-time charges (see Footnotes on pages 34–35).

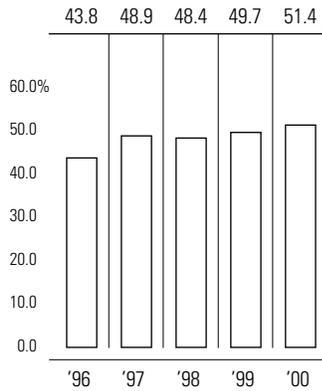
**Total Debt\***  
(dollars in billions)



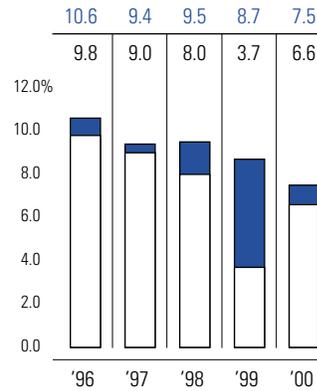
**Total Capital\*\***  
(dollars in billions)



**Total Debt\* as a Percent to Total Capital\*\***



**Return on Average Total Capital\*\***  
(percent)



□ Certain reclassifications have been made in prior years to conform to classifications used in the current year.

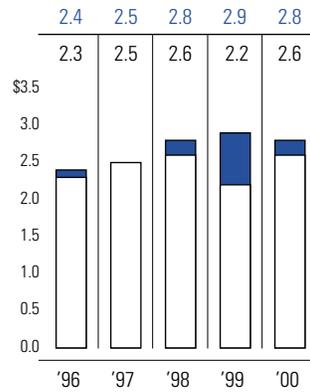
□ Balance sheet amounts are as of the fiscal year end.

\* Total debt includes short-term and long-term debt and capitalized lease obligations.

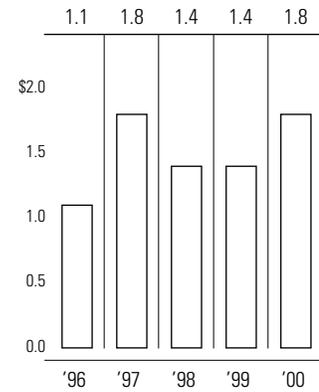
\*\* Total capital includes stockholders' equity and total debt.

## Cash Flow and Dividends

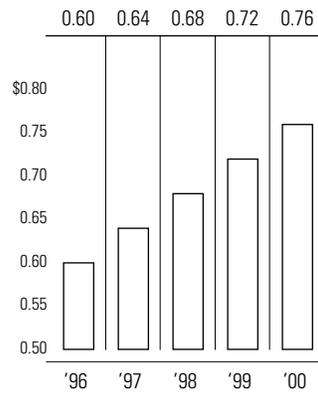
**EBITDA\***  
(dollars in billions)



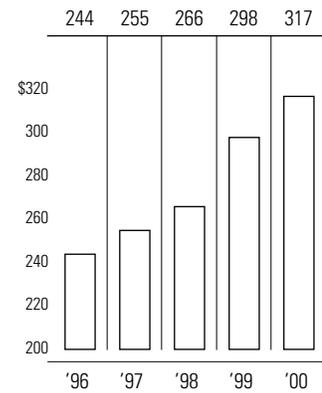
**Net Cash Provided by Operating Activities**  
(dollars in billions)



**Annual Dividends Per Share\*\***  
(dollars)



**Cash Dividends Declared**  
(dollars in millions)



■ This presentation excludes merger-related costs and one-time charges (see Footnotes on pages 34–35).

\* Earnings before interest, taxes, depreciation and amortization (FIFO basis).

\*\* Albertson's only

## > FOUR-YEAR QUARTERLY STATISTICS

Excluding Merger-Related Costs and One-Time Charges

(dollars in millions, except per share amounts)

	First	Second	Third	Fourth
<b>SALES</b>				
2000	\$ 9,013	\$ 9,214	\$ 8,991	\$ 9,544
1999	9,215	9,381	8,983	9,899
1998	8,721	8,945	8,838	9,368
1997	8,355	8,444	8,259	8,770
<b>SALES INCREASE (DECREASE) OVER PRIOR YEAR</b>				
2000	(2.2)/4.2% <sup>1</sup>	(1.8)/4.6% <sup>1</sup>	0.1/2.9% <sup>1</sup>	(3.6)/3.9% <sup>2</sup>
1999	5.7	4.9	1.6	5.7/4.5 <sup>2</sup>
1998	4.4	5.9	7.0	6.8
1997	5.4	4.2	4.0	3.4
<b>OPERATING MARGIN</b>				
2000	5.03%	4.84%	4.57%	5.48%
1999	4.87	5.01	4.38	6.23
1998	4.53	4.95	5.07	6.24
1997	4.51	4.70	4.66	5.91
<b>NET EARNINGS</b>				
2000	\$ 226	\$ 211	\$ 187	\$ 246
1999	224	236	185	310
1998	195	217	218	319
1997	184	199	184	271
<b>NET EARNINGS PERCENT TO SALES</b>				
2000	2.50%	2.29%	2.09%	2.57%
1999	2.43	2.52	2.06	3.13
1998	2.24	2.42	2.47	3.40
1997	2.20	2.36	2.22	3.09
<b>EARNINGS PER SHARE – DILUTED</b>				
2000	\$ 0.53	\$ 0.50	\$ 0.45	\$ 0.60
1999	0.53	0.56	0.44	0.73
1998	0.46	0.52	0.52	0.75
1997	0.43	0.47	0.44	0.65
<b>LIFO CHARGES (CREDITS) BEFORE INCOME TAXES</b>				
2000	\$ 6	\$ 6	\$ 8	\$ (43)
1999	9	9	9	3
1998	13	8	10	(16)
1997	19	17	4	(28)

<sup>1</sup> Sales increase excluding sales from divested stores.

<sup>2</sup> Sales increase compared on a 13-week basis and excluding sales from divested stores.

### NOTES

- This presentation excludes merger-related costs and one-time charges (see Footnotes on pages 34–35).
- Fourth quarter 1999 was a 14-week quarter.
- Due to rounding and different periods used to compute weighted average outstanding shares, the sum of the quarterly Earnings Per Share – Diluted may not equal the annual Earnings Per Share – Diluted.
- Year refers to the calendar year in which fiscal year commences.
- Certain reclassifications have been made to prior years to conform to classifications used in the current year.

## > FIVE-YEAR ANNUAL STATISTICS

Excluding Merger-Related Costs and One-Time Charges  
(dollars in millions, except per share amounts)

Year	Sales	Percent Increase (Decrease)	Comparable 52/53 Week Percent Increase <sup>1</sup>	Gross Profit	Gross Margin	Selling, General & Administrative Expenses	Selling, General & Administrative Expenses Percent to Sales
2000	\$ 36,762	(1.9)%	3.8%	\$ 10,463	28.46%	\$ 8,630	23.47%
1999	37,478	4.5	5.4	10,356	27.63	8,427	22.49
1998	35,872	6.0		9,716	27.08	7,845	21.87
1997	33,828	4.2		9,007	26.63	7,330	21.67
1996	32,455	5.1		8,563	26.39	6,945	21.40

Year	Operating Profit		Operating Margin		Earnings Before Income Taxes		Income Taxes	Effective Tax Rate	Net Earnings	Net Earnings Percent to Sales
2000	\$ 1,833	4.99%	\$ 1,445	\$ 575	39.8%	\$ 870	2.37%			
1999	1,929	5.15	1,589	634	39.9	955	2.55			
1998	1,871	5.22	1,558	609	39.1	949	2.65			
1997	1,677	4.96	1,397	559	40.1	838	2.48			
1996	1,618	4.99	1,399	558	39.9	841	2.59			

Year	Net Earnings Percent Increase (Decrease)	Depreciation & Amortization	Goodwill Amortization	Rent Expense	Interest Expense Debt	Interest Expense Capitalized Leases	LIFO Charge (Credit) Before Income Taxes
2000	(8.9)%	\$ 944	\$ 57	\$ 302	\$ 366	\$ 27	\$(23)
1999	0.6	853	58	301	350	27	30
1998	13.3	803	58	274	322	25	16
1997	(0.4)	744	53	266	288	22	12
1996	7.6	680	55	256	216	21	26

<sup>1</sup> When compared on a 52-week basis to the prior year and excluding sales from divested stores from both years.

### NOTES

- This presentation excludes merger-related costs and one-time charges (see Footnotes on pages 34–35).
- Fiscal 1999 was a 53-week year.
- Due to rounding and different periods used to compute weighted average outstanding shares, the sum of the quarterly Earnings Per Share – Diluted may not equal the annual Earnings Per Share – Diluted.
- Year refers to the calendar year in which fiscal year commences.
- Certain reclassifications have been made to prior years to conform to classifications used in the current year.

Year	Earnings Before Interest, Taxes, Depreciation & Amortization (FIFO Basis)	Earnings Before Interest, Taxes, Depreciation & Amortization Percent to Sales (FIFO Basis)	Current Assets	Current Liabilities	Working Capital	Land, Buildings and Equipment, Net	Total Assets
2000	\$ 2,809	7.64%	\$ 4,300	\$ 3,395	\$ 905	\$ 9,622	\$ 16,078
1999	2,883	7.69	4,591	4,069	522	8,911	15,719
1998	2,772	7.73	4,208	3,351	857	8,545	15,131
1997	2,501	7.39	3,902	3,381	521	7,696	13,767
1996	2,388	7.36	3,654	2,842	812	6,787	12,608

Year	Inventories (LIFO)	Capital Expenditures (Including Operating Leases)	Current & Long-Term Debt	Current & Long-Term Capitalized Lease Obligations	Stockholders' Equity	Shares Outstanding (Net of Treasury) (in millions)	Earnings Per Share – Basic
2000	\$ 3,364	\$ 1,932	\$ 5,777	\$ 247	\$ 5,694	405	\$ 2.08
1999	3,481	2,098	5,423	206	5,702	424	2.26
1998	3,249	2,097	4,955	220	5,522	420	2.27
1997	3,043	1,864	4,318	211	4,741	418	1.99
1996	2,947	1,798	3,536	204	4,794	435	1.93

Year	Earnings Per Share – Diluted	Cash Dividends Per Share*	Cash Dividends Declared	Price Range of Stock (NYSE)	Fiscal Year End Stock Price	Fiscal Year End P/E Ratio	Number of Stores
2000	\$ 2.08	\$ 0.76	\$ 317	\$ 39.25–20.06	\$ 28.63	13.8	2,512
1999	2.26	0.72	298	61.94–29.00	30.00	13.3	2,492
1998	2.25	0.68	266	67.13–44.00	61.69	27.4	2,564
1997	1.98	0.64	255	48.63–30.50	47.50	24.0	2,435
1996	1.92	0.60	244	43.75–33.75	34.88	18.1	2,355

\* Albertson's only

## Annual Earnings Adjustments

	Net of Tax (in millions)	EPS Basic	EPS Diluted
<b>ADJUSTMENTS RECOGNIZED IN 2000</b>			
Net earnings as reported Y/E 2/1/01	\$ 765	\$ 1.83	\$ 1.83
Merger-related costs	93	0.22	0.22
Impairment – lease contingency	12	0.03	0.03
Net earnings excluding adjustments	\$ 870	\$ 2.08	\$ 2.08

	Net of Tax (in millions)	EPS Basic	EPS Diluted
<b>ADJUSTMENTS RECOGNIZED IN 1999</b>			
Net earnings as reported Y/E 2/3/00	\$ 404	\$ 0.96	\$ 0.95
Merger-related costs	529	1.25	1.25
Litigation settlement	22	0.05	0.05
Net earnings excluding adjustments	\$ 955	\$ 2.26	\$ 2.26 <sup>1</sup>

	Net of Tax (in millions)	EPS Basic	EPS Diluted
<b>ADJUSTMENTS RECOGNIZED IN 1998 (FIRST AND FOURTH QUARTERS)</b>			
Net earnings as reported Y/E 1/28/99	\$ 801	\$ 1.91	\$ 1.90
Merger-related stock option charge	133	0.32	0.31
Impairment – store closures	15	0.04	0.04
Net earnings excluding adjustments	\$ 949	\$ 2.27	\$ 2.25

	Net of Tax (in millions)	EPS Basic	EPS Diluted
<b>ADJUSTMENTS RECOGNIZED IN 1997 (FIRST QUARTER)</b>			
Net earnings as reported Y/E 1/30/98	\$ 797	\$ 1.89	\$ 1.88
Sale of stock by a major ASC stockholder	33	0.08	0.08
Sale of a division of ASC's communications subsidiary	8	0.02	0.02
Net earnings excluding adjustments	\$ 838	\$ 1.99	\$ 1.98

	Net of Tax (in millions)	EPS Basic	EPS Diluted
<b>ADJUSTMENT RECOGNIZED IN 1996 (FOURTH QUARTER)</b>			
Net earnings as reported Y/E 2/1/97	\$ 781	\$ 1.79	\$ 1.79
ASC re-engineering activities	60	0.14	0.14
Net earnings excluding adjustment	\$ 841	\$ 1.93	\$ 1.92 <sup>1</sup>

<sup>1</sup> Due to rounding and different periods used to compute weighted average outstanding shares, the sum of the adjustments or the quarterly Earnings Per Share – Diluted may not equal the annual Earnings Per Share – Diluted.

## Quarterly Diluted Earnings Per Share (EPS) Adjustments

	2000				
	1st	2nd	3rd	4th	Year
Diluted EPS as reported	\$ 0.42	\$ 0.46	\$ 0.41	\$ 0.54	\$ 1.83
Merger-related costs:					
Period and restructuring costs	0.08	0.04	0.04	0.06	0.22
Impairment – lease contingency	0.03				0.03
Diluted EPS without one-time costs	\$ 0.53	\$ 0.50	\$ 0.45	\$ 0.60	\$ 2.08

	1999				
	1st	2nd	3rd	4th	Year
Diluted EPS as reported	\$ 0.56	\$ (0.54)	\$ 0.31	\$ 0.62	\$ 0.95
Merger-related costs:					
Stock option charge (income) – pre-merger	(0.04)				(0.04)
Period and restructuring costs		1.05	0.08	0.11	1.23 <sup>1</sup>
Extraordinary item		0.05			0.05
First quarter period costs <sup>2</sup>	0.01				0.01
Litigation settlement			0.05		0.05
Diluted EPS without one-time costs	\$ 0.53	\$ 0.56	\$ 0.44	\$ 0.73	\$ 2.26 <sup>1</sup>

	1998				
	1st	2nd	3rd	4th	Year
Diluted EPS as reported	\$ 0.42	\$ 0.52	\$ 0.52	\$ 0.45	\$ 1.90 <sup>1</sup>
Merger-related costs:					
Stock option charge (income) – pre-merger				0.31	0.31
Impairment – store closures	0.04			(0.01)	0.04 <sup>1</sup>
Diluted EPS without one-time costs	\$ 0.46	\$ 0.52	\$ 0.52	\$ 0.75	\$ 2.25

<sup>1</sup> Due to rounding and different periods used to compute weighted average outstanding shares, the sum of the adjustments or the quarterly Earnings Per Share – Diluted may not equal the annual Earnings Per Share – Diluted.

<sup>2</sup> The \$0.01 per share represents merger-related period costs incurred before the merger was completed.

## Merger-Related Costs—Post-Merger

(in millions)	Projected	Actual <sup>3</sup>
Merger-Related Costs	\$ 1,000	\$ 859
Tax Benefits	300	221
Merger-Related Costs After Tax	<u>\$ 700</u>	<u>\$ 638<sup>4</sup></u>

<sup>3</sup> Merger-related costs incurred in 1999 and 2000 (excluding first quarter of 1999).

<sup>4</sup> The Company does not expect to exceed its original projections.

### Cautionary Statement for Purposes of “Safe Harbor Provisions” of the Private Securities Litigation Reform Act of 1995

From time to time, information provided by the Company, including written or oral statements made by its representatives, may contain forward-looking information as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, which address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as integration of the operations of acquired or merged companies, expansion and growth of the Company's business, future capital expenditures and the Company's business strategy, contain forward-looking information. In reviewing such information it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based on various factors and was derived using numerous assumptions. Many of these factors have previously been identified in filings or statements made by or on behalf of the Company.

Important assumptions and other important factors that could cause actual results to differ materially from those set forth in the forward-looking information include changes in the general economy, changes in consumer spending, competitive factors and other factors affecting the Company's business in or beyond the Company's control. These factors include changes in the rate of inflation, changes in state or federal legislation or regulation, adverse determinations with respect to litigation or other claims (including environmental matters), labor negotiations, the cost and stability of power sources, the Company's ability to recruit and develop employees, its ability to develop new stores or complete remodels as rapidly as planned, its ability to implement new technology successfully, stability of product costs and the Company's ability to integrate the operations of acquired or merged companies.

Other factors and assumptions not identified above could also cause the actual results to differ materially from those set forth in the forward-looking information. The Company does not undertake to update forward-looking information contained herein or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

## > TIMELINE

- 1858 Henry Seessel opens the first Seessel's store in Memphis, Tennessee.
- 1891 Acme founders Samuel Robinson and Robert Crawford open first Acme Market.
- 1899 Frank Ross and Frank Skiff begin Jewel as a company of door-to-door salesmen selling tea and coffee from the back of horse-drawn wagons.
- 1915 Samuel M. Skaggs opens the first Skaggs Cash Store.
- 1917 Acme merges with four Philadelphia grocery stores to form American Stores Company.
- 1931 Charles Crouch, Lucky Stores founder, and four investors purchase six stores on the San Francisco peninsula—Peninsula Stores, Ltd.
- 1932 Jewel purchases a chain of 77 stores, creating Jewel Food Stores.
- 1934 L.J. Skaggs opens first self-service drugstore in Tacoma, Washington, under the Pay Less Drug name.
- 1935 Peninsula Stores, Ltd., changes name to Lucky Stores.
- 1937 L.L. Skaggs and Harold Finch found Payless Drug—eventually Osco Drug—in Rochester, Minnesota.
- 1939 Joe Albertson enters into a partnership with L.S. Skaggs and Tom Cuthbert, Mr. Skaggs' accountant, and opens first store in Boise, Idaho. Skaggs family purchases four drugstores in Utah, Idaho and Montana.
- 1942 Owners Service Company forms from the dissolved Payless Drug operation, and new Osco Drug stores open.
- 1945 C.J. Call and Ira Brown open first Sav-on Drugs store in San Bernardino, California.
- 1948 Pay Less Drug changes name to Skaggs Drug Stores.
- 1951 Albertson's opens first combination food and drug store, a 60,000-square-foot superstore.
- 1956 Lucky acquires 48 stores in Southern California, doubling the size of the chain.
- 1957 Albertson's begins incorporating drugstores in new Albertson's Food Centers with the purchase of Sugarhouse Drug in Salt Lake City. Jewel and Eisner Foods of Champaign, Illinois, merge.
- 1961 Jewel forms a partnership with Osco Drug for combination food and drug stores.
- 1962 Jewel acquires Turn\*Style department stores.
- 1965 Skaggs Drug Stores incorporates under the name Skaggs Drug Centers, Inc.
- 1966 Jewel acquires Buttrey Food and Drug Stores in Montana.
- 1968 Lucky Stores acquires Illinois-based Eagle stores, establishing a national presence.
- 1969 Albertson's listed on the New York Stock Exchange as ABS. Albertson's/Skaggs partner to create Skaggs-Albertson's combination food and drug stores.
- 1977 Dave Trottier opens the first Smitty's store in Springfield, Missouri. Albertson's/Skaggs partnership dissolves amicably. Jointly held assets are evenly divided.
- 1978 Albertson's builds Boise General Office.
- 1979 Skaggs Drug Centers, Inc., acquires American Stores Company and adopts the American Stores Company name—company headquarters moves to Salt Lake City, Utah. Lucky Stores acquires 48 Kash 'n Karry supermarkets in Tampa, Florida, area.
- 1980 Jewel Companies, Inc. acquires Sav-on Drugs.
- 1984 American Stores Company acquires Jewel Companies, Inc.
- 1988 American Stores Company acquires Lucky Stores, Inc.
- 1992 Albertson's purchases 74 Jewel-Osco combination food and drug stores from American Stores Company.
- 1998 Albertson's acquires Seessel's, Smitty's, Buttrey's, and certain Bruno's stores. Albertson's and American Stores Company announce plans to merge companies.
- 1999 Albertson's and American Stores Company finalize their merger to become one of the largest food and drug companies in the United States. Lucky stores change name to Albertson's.
- 2000 Albertson's serves over 4.3 million customers a day.

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